

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7946

BILL NUMBER: HB 1652

DATE PREPARED: Apr 30, 1999

BILL AMENDED: Apr 29, 1999

SUBJECT: Workforce investment system.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (CCR Amended) This bill establishes the Workforce Investment System (System). It provides that the System is administered by the Department of Workforce Development under a state plan developed by the State Human Resource Investment Council. This bill sets forth requirements for regional boards, the one stop service delivery system, and one stop partners. This bill changes the membership of the State Human Resource Investment Council and it specifies the membership of the regional boards.

This bill removes the \$1,500,000 cap on the annual amount of certain penalties deposited into the Special Employment and Training Fund. It increases the amount of money in the Special Employment and Training Fund that can be used annually to provide training to participants in certain programs from \$4,500,000 to \$5,000,000. It also increases the maximum amount of training funds the Department of Workforce Development may use for its administrative expenses from \$67,500 to \$150,000.

The Department of Workforce Development is required to make an annual report on training projects to the Governor, the Legislative Council, and the Unemployment Insurance Board.

This bill authorizes the use of \$6,500,000 from the available balance of the Special Employment and Training Fund to provide training to incumbent workers during the four year period that begins July 1, 1999, and ends June 30, 2003.

Effective Date: (CCR Amended) Upon passage; July 1, 1999; July 1, 2000.

Explanation of State Expenditures: (Revised) This bill is in response to the requirements of the federal Workforce Investment Act of 1998 (29 U.S.C. 2801 et. seq.). All states are to have the requirements of the federal Act implemented by July 1, 2000. The purpose of the federal Workforce Investment Act is to consolidate the many separately funded workforce and adult education literacy programs. The federal Workforce Investment Act consolidates federal funding (including but not limited to federal funding under

the Carl D. Perkins Vocational and Applied Technology Act, the Wagner-Peyser Act, Community Services Block Grant Act) for numerous programs into three basic grants: adult employment and training, disadvantaged youth employment and training, and adult education and family literacy programs. The federal Workforce Investment Act requires new state and local workforce boards to guide and coordinate workforce investment systems that meet local needs. The newly formed boards and the consolidation of programs and funding are to provide increased flexibility and local control of workforce development programs and funding. No new federal funding is providing under the federal Act.

This bill requires the State Human Resource Investment Council to develop a unified state plan for the workforce investment system. Members of the State Human Resource Investment Council is entitled to salary per diem and reimbursement for travel expenses. The fiscal impact is dependent on the number of times the Council has to meet to develop the unified state plan. The Department of Workforce Development (DWD) has not requested additional funding in FY 2000 to implement this requirement.

This bill requires the DWD to designate not more than 16 workforce investment areas that follow the state plan (developed by the State Human Resource Investment Council). The DWD did not request additional funding in FY 2000 to implement this requirement.

This bill removes the \$1,500,000 cap on the annual amount of certain penalties deposited into the Special Employment and Training Fund. Previously, any additional amount collected above the \$1,500,000 was deposited into the Unemployment Insurance Benefit Trust Fund. An employer's contribution to the Unemployment Insurance Benefit Fund was then pro rated according to the employer's experience account. The removal of the cap will reduce the amount of money contributed to the Unemployment Insurance Benefit Trust Fund and will increase revenue to the Special Employment and Training Fund. The balance of the Unemployment Benefit Trust Fund as of December 7, 1998 was \$1.4 billion.

The bill also increases from \$4.5 million to \$5 million the amount that the Commissioner of the DWD may use from the Special Employment and Training Services Fund per year. These funds can be spent for training and counseling assistance and training provided to participants in joint labor and management apprenticeship programs. It also increases the maximum amount of training funds the DWD may use for its administrative expenses from \$67,500 to \$150,000. Additionally, this bill authorizes the use of \$6.5 million from the available balance of the Special Employment and Training Fund to provide training to incumbent workers during the four year period that begins July 1, 1999, and ends June 30, 2003. The balance of the fund as of 4/6/99 was \$14,158,877. The FY 98 revenue into the fund was \$3,729,043.

The DWD is required to make an annual report on training projects to the Governor, the Legislative Council, and the Unemployment Insurance Board. This can be done within the existing budget.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) This bill, in response to the federal Workforce Investment Act, requires the creation of a regional board (referred to in the federal Act as the local workforce board) and the formation of partnerships with local elected officials. The regional boards/elected official partnerships are responsible for establishing new one-stop centers. The participation of a municipality and a county and its chief elected official in meeting the mandates of the federal Act will be done within the existing budget of the municipality and county.

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development; State Human Resource Investment Council; Legislative Council; Governor; Unemployment Insurance Board.

Local Agencies Affected: Municipalities.

Information Sources: Craig Hartzer, Commissioner, Department of Workforce Development, (317) 233-5661. *Federal Funds Information for State, Issue Brief 98-14*, “Finally, Job Training Reform Happens,” September 1, 1998, p.p. 1-4.